bc imc
Investment
Management
Corporation
ANNUAL REPORT 1999/2000

LEGISLATIVE LIBRARY OF BRITISH COLUMBIA
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101-05296/

HIGHLIGHTS

ACCOMPLISHMENTS

- Pension assets under management had an average annualized return of 18.4 per cent.
- Total assets under administration grew to $61.4 billion at year end (March 31, 2000) from $52.8 billion a year earlier, a 16.3 per cent increase.
- Since 1981, assets have grown an average of 13.9 per cent per year.
- Established the British Columbia Investment Management Corporation in November, 1999 and assumed the duties of the Office of the Chief Investment Officer on January 1, 2000 with no disruption in client services.
- Implemented a Y2K compliance strategy to successfully prepare computer systems for the year 2000.

All values are reported in Canadian dollars.

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LEGISLATIVE LIBRARY
VICTORIA, B.C. V8V 1X4
JUN 0 7 2001

Message from the Chair

A Year of Transition

On behalf of the Board of Directors, I am very pleased to be presenting the first annual report of the British Columbia Investment Management Corporation.

bcIMC is one of the largest institutional investors in Canada, with assets under administration of more than $61.4 billion (as of March 31, 2000).

Previously, funds management services for the B.C. public sector entities was provided by the Office of the Chief Investment Officer (OCIO), a division of the Ministry of Finance and Corporate Relations. While the OCIO had operational autonomy and a strong track record of investment performance, there were three important reasons for changing the structure. First, to increase the agency's accountability to its clients; second, to avoid policy conflicts between government and the management of trust funds; and finally to build a more dynamic and flexible organization which is better able to meet the challenges of managing global portfolios.

Although assets under administration increased more than 13.9 per cent a year on average since 1981, it was difficult to resource the OCIO appropriately because the Office's staffing and budget were developed through the ministry budgeting process. The creation of the new Corporation is designed to resolve these issues.

A Clear Division of Responsibility

Through the Board of Directors, bcIMC provides stakeholders with a direct and active role in overseeing corporate activities. Four of the directors are directly appointed by the four statutory public sector pension plans – collectively representing over 60 per cent of the assets managed by the Corporation – while two other client representatives are appointed by the Minister of Finance and Corporate Relations. Also under the Act, as Deputy Minister of Finance and Corporate Relations, I am appointed to the board and designated as the Chair.

We are pleased at how much has been accomplished in our first few months as a corporation. This could not have occurred without tremendous commitment and effort by all Board members:

Joan Axford
Jack Bradshaw
Jim Cook
Michael Costello
Sid Fattedad
Bruce Kennedy
Chris Trumpy.

The Board of Directors is responsible for overseeing the management of the Corporation and ensuring that bcIMC has the proper resources and strategies to achieve its mission. This includes:

- ensuring appropriate management controls and accountabilities are in place
- approving policies governing pooled investment portfolios
- committing the appropriate resources and budgets to ensure that the service requirements of clients are being met
- approving the annual budget of the Corporation
- selecting and appointing the Chief Investment Officer
- appointing auditors and approving financial statements.

The Board of Directors is legislatively prohibited from getting involved in the day-to-day investment decisions of the corporation. Rather, these decisions are made by the investment professionals at bcIMC in accordance with approved policies. The Board approves the policies of the pooled investment portfolios and the clients/trustees establish the policies of individual funds. The Chief Investment Officer is accountable and reports to the clients and the Board of Directors.

A Clear Mandate

bcIMC's creation reflects a shift towards a more clearly defined operating structure with more direct accountability to stakeholders.

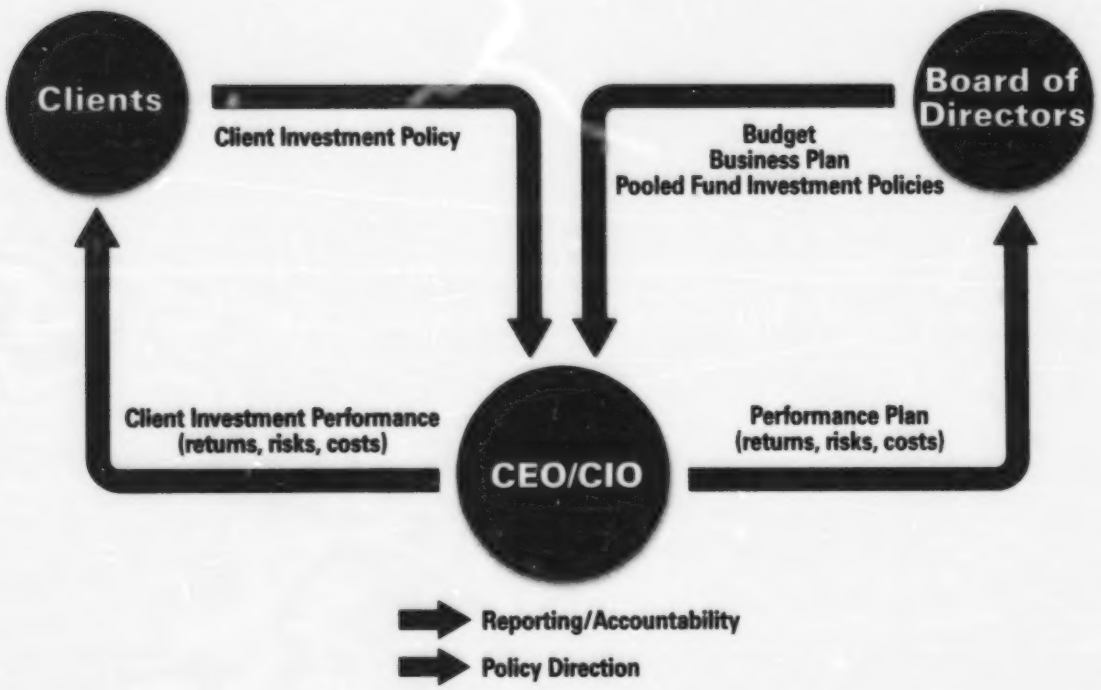
Investment management is a complex and demanding profession that requires sophisticated technology, highly trained personnel and a global perspective to be successful. I believe that with the creation of the new Corporation, we are better able to meet these challenges.

CEO Doug Pearce and his staff must be thanked for the many long hours they worked to develop the regulatory framework, legislation and business plan for bcIMC, as well as to ensure a seamless transition from the OCIO to the new Corporation.

They were able to do this while still delivering exceptional investment management service. As discussed elsewhere in this report, pension plan clients had a return of 18.4 per cent during the year – very solid returns that should please our clients.

As the organization moves into the new fiscal year we are very excited at the prospects for bcIMC and its continuing ability to deliver the superior investment returns and service levels that our clients demand and can expect.

Chris Trumpy
Chair



Report from the CEO and CIO

Focused on Client Service

Starting the 1999/00 fiscal year as the Office of the Chief Investment Officer in the Ministry of Finance and Corporate Relations, we focused our efforts on providing excellent service and superior investment returns to our clients.

We had a very successful year, with pension funds earning a return of 18.4 per cent, and total assets under management growing to $61.4 billion as of March 31, 2000 (more details on investment performance are reported starting on page 8).

With the creation of the British Columbia Investment Management Corporation in November, 1999, we used the restructuring as an opportunity to revisit our strategic plan and set a number of short-term goals to enhance performance.

Our most immediate task was to develop the administrative infrastructure to support our investment activities and ensure that the operational transition on January 1, 2000 would be without problems for our clients.

Concurrent with this were reviews to ensure that all of our information technology activities were Y2K compliant. Hard work by all staff ensured that the transition was seamless.

We were pleased that 100 per cent of our staff agreed to make the transition and join the new Corporation.

Through the remainder of the fiscal year we continued to strengthen our administrative systems, using the best practices of comparable institutional investors as a guideline.

We also began planning for a move to a new corporate office at Sawmill Point in Victoria, B.C., slated for the summer of 2000.

Looking forward to fiscal year 2000/01, our strategic planning process identified four priorities for management:

- Risk management: In 1999 a catalogue of the risks inherent in the investment management business was started.

  In 2000 work will focus on ensuring that each major risk is controlled, measured and monitored using industry best practices.

  This project will continue for several years.

bcIMC Mission Statement

"Accountable to our clients, to provide professional fund management for all asset classes, exercising the highest standards of prudence and fiduciary responsibilities while returning to the client the highest return for a given level of risk, at a reasonable cost."

- Information technology: A review of our information technology needs and system architecture was started in 1999, with the objective of developing a new IT strategy for implementation in fiscal year 2000/01.

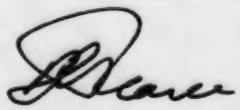
- Human resources: A key to our success is attracting and retaining qualified investment professionals. To do this, work started on updating the human resources strategy, with a goal of having the new strategy in place by the end of fiscal year 2000/01.

- Communications: Clear, timely and accurate communications is an important factor in strengthening the relationship with our clients.

  With changes expected in fiscal year 2000/01 among clients, particularly pension boards, more effort will be placed on client communications.

1999/00 represented a watershed year in the managing of British Columbia's public sector investments. The creation of bcIMC could not have been achieved in such a short time – only four months after the enabling legislation was introduced in the B.C. Legislature – without the hard work and dedication of staff and the active support from our clients, business partners and the Ministry of Finance and Corporate Relations.

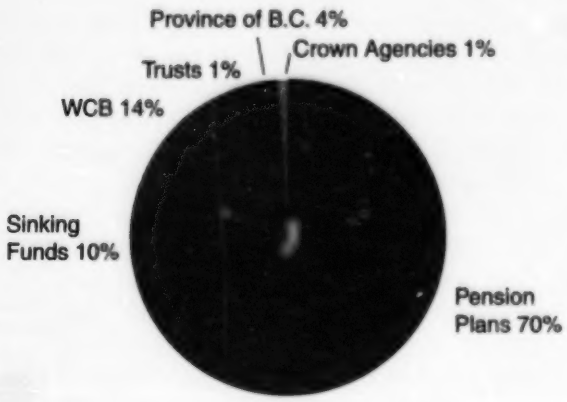
These achievements are a very favourable signal for fiscal year 2000/01, when we will continue to even higher standards of performance and customer service.



Doug Pearce
Chief Executive Officer
Chief Investment Officer

Our Clients and their Returns

With more than $61.4 billion in assets under administration (as of March 31, 2000), bcIMC is one of the largest institutional investors in Canada.



Our clients include eight provincial public sector pension plans:

- College Pension Plan
- Municipal Pension Plan
- Public Service Pension Plan
- Teachers' Pension Plan
- Workers' Compensation Board Superannuation Plan
- B.C. Rail Ltd. Pension Plan
- Members of the Legislative Assembly Pension Plan
- B.C. Hydro Pension Plan.

Other clients include the Workers' Compensation Board accident fund, sinking funds, other trust clients, government and Crown corporations.

A Year of Strong Returns

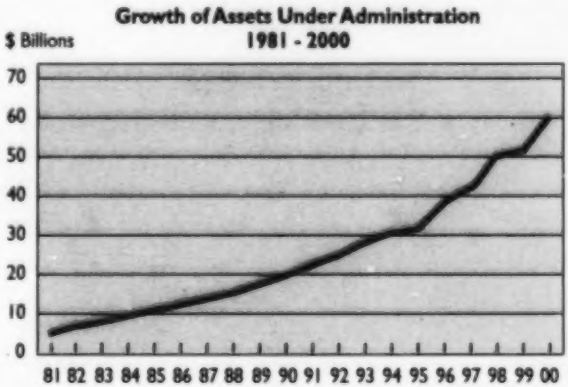
1999/00 was a strong year for investment returns. Pension assets under management had an average annualized return of 18.4 per cent. Investment returns added $6.6 billion to pension fund assets.

Details on the returns by asset class are provided in the Investment Report, starting on page 8.

Asset Growth

In 1999/00 funds managed by bcIMC grew by 16.3 per cent or $8.6 billion. This growth rate is due to both investment returns and net contributions.

The chart shows the growth in assets under administration since 1981 – an average growth of 13.9 per cent per year.



PORTFOLIO MANAGEMENT

Planning is the first stage in the portfolio management process. Planning incorporates a client's investment objectives and constraints into an investment policy statement and asset class allocation strategy.

A client's time horizon is the most important investment consideration. For example, if funds are required in the near future, then the portfolio should avoid large exposures to volatile or illiquid investments to avoid short-term losses.

However, if the client has a longer time horizon, it can afford to take more risk. When possible, portfolios are diversified among multiple asset classes to reduce investment risk and provide more stable investment returns.

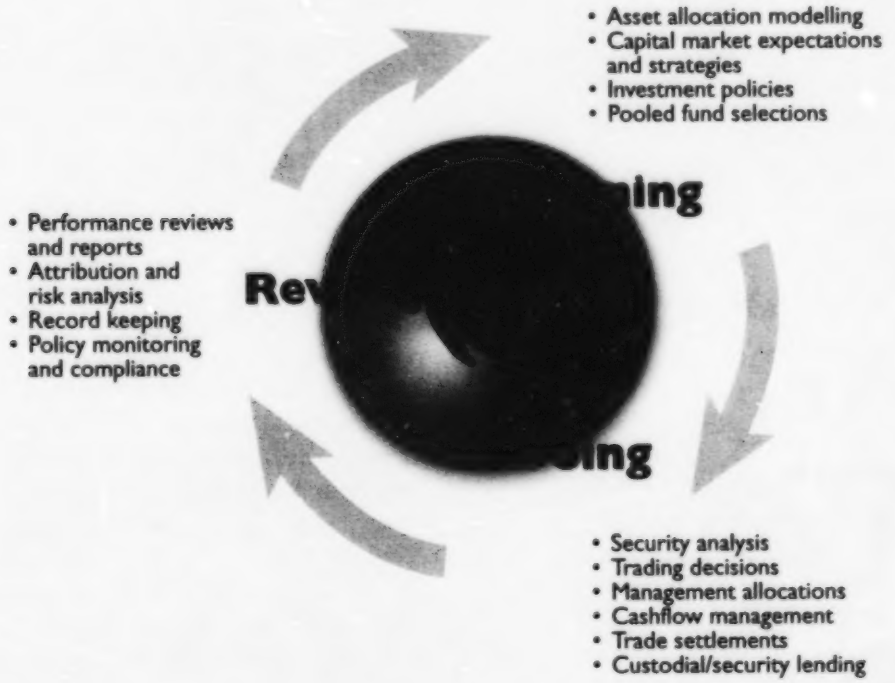
Once the asset allocation policy is specified, an execution schedule is developed to take advantage of prevailing market conditions. bcIMC uses a variety of sophisticated information systems to analyze securities and make trading decisions.

In addition to executing and maintaining asset allocations, this stage involves managing client cashflows, settling trades and lending securities.

Throughout the year, clients' asset mixes are adjusted to reflect prevailing market conditions and the strategic outlook of the Investment Policy Committee.

bcIMC recognizes that it is extremely difficult to time the market and employs a disciplined approach to managing clients' asset mixes. Asset allocations are monitored weekly and systematically rebalanced.

The review process involves measuring the performance of pooled fund and client portfolios in accordance with industry standards and against market benchmarks. Clients regularly receive performance reports as well as market reports and investment outlooks.



Investment Report

Asset Mix

As of March 31, 2000, bcIMC managed $61.4 billion in assets, an increase from $52.8 billion a year earlier.

Assets Under Administration

Asset Class	March 31, 1999 $ Millions	%	March 31, 2000 $ Millions	%
Money Market	3,151	6.0	4,860	7.9
Bonds	23,792	45.0	23,028	37.5
Mortgages	1,099	2.1	1,426	2.3
Canadian Equities	13,294	25.2	16,374	26.7
U.S. Equities	4,616	8.7	5,329	8.7
International Equities	3,860	7.3	5,560	9.1
Private Placements	742	1.4	880	1.4
Real Estate	2,259	4.3	3,910	6.4
Total	52,813	100.0	61,367	100.0

Under the portfolio management process, each client's funds are invested in a mix of different asset classes that reflect the client's investment objectives and risk tolerance, as well as market conditions. In some cases a client's funds may be invested in only one or a few asset classes.

The primary investment vehicle is a pooled investment portfolio. This reduces costs and allows for a wider diversity of investments.

bcIMC manages 36 pooled funds in the eight major asset classes.

Market Report

Fiscal year 1999/2000 was a strong year for equity markets. After many years of underperforming the U.S. market, the domestic stock market, as represented by the TSE 300, earned a stellar return of 45.5 per cent. International markets were also quite strong.

In Canadian dollar terms, the EAFE Index earned 25.6 per cent and U.S stocks, as represented by the S&P 500, provided a 13.5 per cent return.

There were three main themes for the equity market during the last year. The first was the dominance of telecommunications and technology companies. Investors expected strong earnings from these companies and, as a result, their share prices rose significantly.

The second theme was the narrowness of market leadership. Most of the stock market increase in Canada in 1999/2000 came from a few companies, most notably BCE (Bell Canada Enterprise) and Nortel Networks. This has led to a more concentrated equity market with some companies having very high price/earnings ratios. This posed a difficult environment for active equity managers, which often have specialized mandates (e.g., small cap stocks).

The third theme was the high degree of market volatility. Investors were quite nervous about rising interest rates and high equity valuations. As a result, investors reacted rapidly to both negative and positive news. We expect this market to continue for some time.

With respect to fixed income markets, government budgetary surpluses in Canada, combined with bond repurchase programs, led to concerns about a possible shortage of high quality long-term debt. Demand for these securities helped push down long-term bond rates. At the same time inflationary concerns, particularly in the U.S., led to tightening by central banks and higher short-term rates. This resulted in a partially inverted yield curve. Interest rates were positively sloped (i.e., rising) to the four to five year term and negatively sloped (i.e., falling) beyond the five-year term. Overall, this environment led to a relatively weak year for bonds as the Scotia Capital Government Bond Index provided a disappointing 1.2 per cent return.

Money Market Report

Overview

bcIMC has three money market pooled funds: Short-term Fund 1 (ST1); Short-term Fund 2 (ST2); and Short-term Fund 3 (ST3). All money market funds are managed internally by bcIMC staff.

ST1 holds government securities and has a term of approximately one month or less. It is primarily used for cash management purposes.

ST2 holds both government and corporate securities, and the term is 15 months or less. This pool is the primary investment vehicle for clients wishing to hold money market securities.

ST3 holds U.S. denominated money market securities, whose term is one month or less. This pool is primarily used for cash management purposes.

In addition to the pooled funds, bcIMC provides segregated money market investments for clients who require this service.

Money Market Holdings ($ Millions)

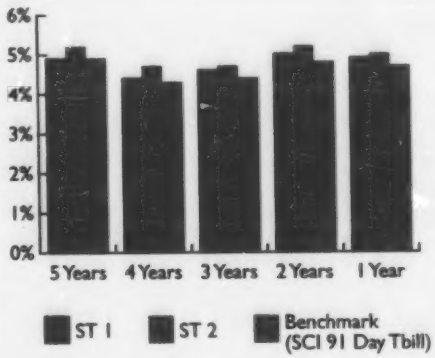
Pool	As at March 31/99	As at March 31/00
Short-Term Fund 1	710	1,766
Short-Term Fund 2	1,578	2,355
Short-Term Fund 3	131	164
Segregated	732	575
Total	3,151	4,860

Market Review

Over the past year, the Bank of Canada raised interest rates on five different occasions. Each 25 basis point move followed similar actions in the United States by the Federal Reserve. The prime focus of these moves was to slow a very strong economy, thereby containing emerging inflationary pressures. On balance, short-term interest rates moved higher during the year.

Performance

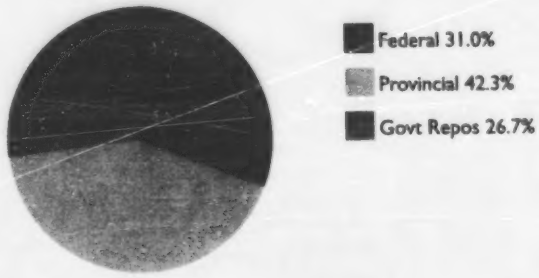
Money Market - Annualized Returns
Year Ending March 31, 2000



Holdings

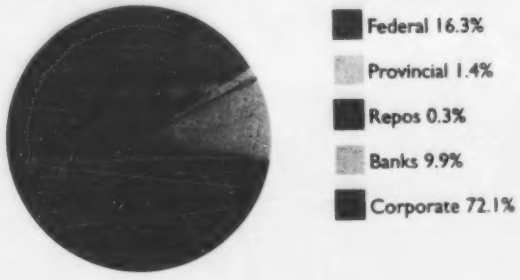
Money Market Asset Mix
As at March 31, 2000

Short-Term 1



Money Market Asset Mix
As at March 31, 2000

Short-Term 2



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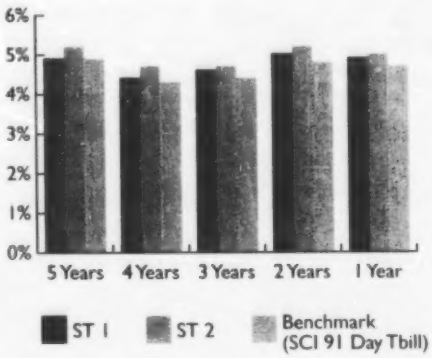
Year Ending March 31, 2000

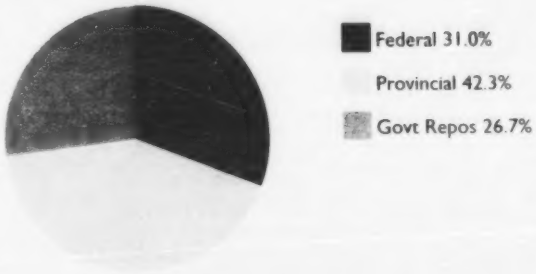


Holdings

Money Market Asset Mix

As at March 31, 2000

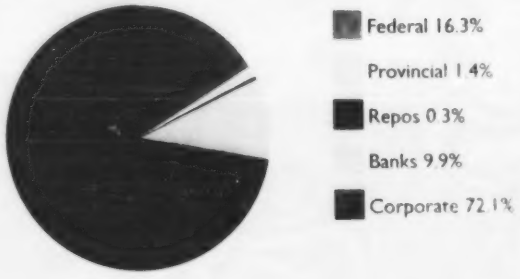
Short-Term 1



Money Market Asset Mix

As at March 31, 2000

Short-Term 2



BONDS

OVERVIEW

bcIMC offers its clients 10 internally managed pooled bond portfolios.

- The ***Short-Term Bond Fund*** is a pool of short-term government bonds with an average term to maturity of 2.9 years.
- The ***Pensions' Bond Fund*** is a pool of government bonds with an average term to maturity of 9.5 years.
- The ***Indexed Bond Fund*** is a pool of government bonds indexed to the Scotia Capital Government Bond Index.
- The ***Long-Term Bond Fund*** is a pooled fund of long-term government bonds with an average term to maturity of 20.2 years.
- The ***Corporate Bond Fund*** is a pooled fund of Canadian corporate bonds with an average term to maturity of 8.5 years that offer greater risk/return than government bonds.
- ***Sinking Fund Bond Pools*** – These five pools hold assets which are applied against the sinking funds' obligations to retire all or a portion of the principal amount at maturity.

Segregated bonds are purchased for clients who due to their investment objectives or legal restrictions are better served outside of the pooled bond funds.

Bond Holdings ($ Millions)

Bond Fund	As at March 31/99	As at March 31/00
Short-Term Bonds	1,349	1,047
Pensions' Bonds	9,071	9,504
Indexed Government Bonds	158	173
Long-Term Bonds	199	198
Corporate Bonds	1,300	1,322
Sinking Fund Bonds	6,623	6,343
Segregated Bonds	4,692	4,441
Total	**23,792**	**23,028**

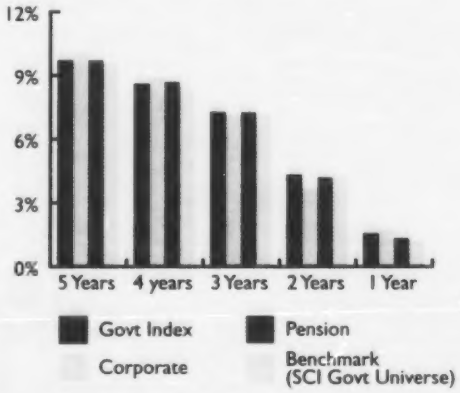
MARKET REVIEW

Over the past year, five- and 10-year interest rates trended higher, while 30-year rates remained unchanged. The yield curve went from a positive slope of +20 basis points at the beginning of the period to an inverted slope of –40 basis points at the end.

Government fiscal surpluses have led to the perception that a shortage in long maturity, default-free securities is occurring. Accordingly, the price of these securities has been maintained at higher prices, and lower yields, than might otherwise have been the case. The prices of shorter dated securities reflected central bank activity and therefore reflected slightly higher yields.

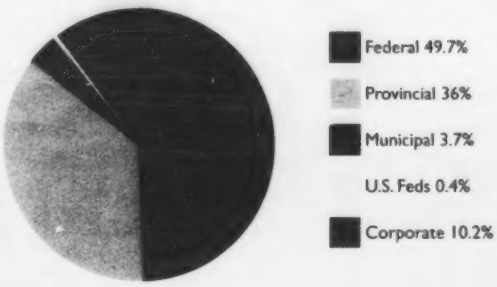
PERFORMANCE

Bonds - Annualized Returns
Year Ending March 31, 2000



HOLDINGS

Bond Holdings by Issuer
As at March 31, 2000



MORTGAGES

OVERVIEW

bcIMC internally manages three pooled mortgage funds: the Construction Mortgage Fund, the Fixed Term Mortgage Fund and the Specialty Mortgage Fund.

The Construction Mortgage Fund provides mortgage financing for Canadian construction projects. The mortgages are diversified by property type and geographic location. The average term of the mortgages is eight to 24 months.

The Fixed Term Mortgage Fund holds Canadian fixed term commercial and multi-family residential mortgages. The mortgages are diversified by property type and geographic location. The long-term goal is to have approximately 50 per cent of the portfolio in Western Canada and 50 per cent in the East. The term to maturity of the mortgages is between five and 10 years.

The Specialty Mortgage Fund is a new pooled investment portfolio. It holds equity and debt securities for construction projects.

Mortgage Holdings ($ Millions)

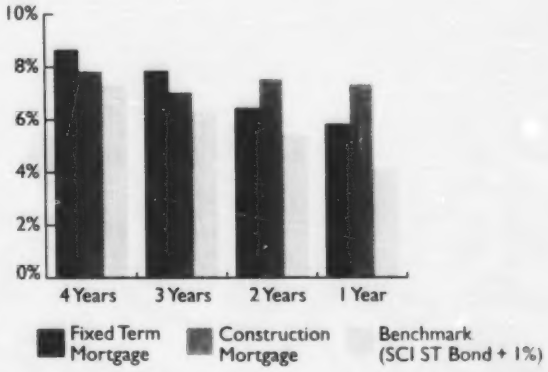
Pool Funds	As at March 31/99	As at March 31/00
Fixed Term Mortgage Fund	868	1,133
Construction Mortgage Fund	231	287
Specialty	—	6
Total	**1,099**	**1,426**

MARKET REVIEW

Momentum increased in the housing market in spite of the 140 basis points rise in five-year mortgage rates over the past year. The strongest markets were in Ontario and Eastern Canada. Housing starts benefitted from strong employment gains and strengthening consumer confidence, as well as concerns about potentially higher mortgage rates and house prices.

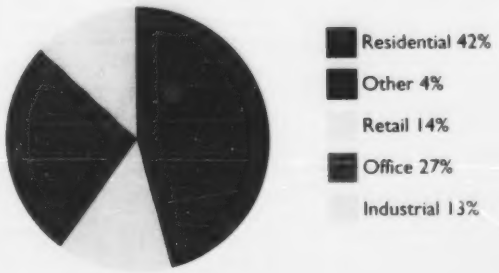
PERFORMANCE

Mortgages - Annualized Returns
Year Ending March 31, 2000

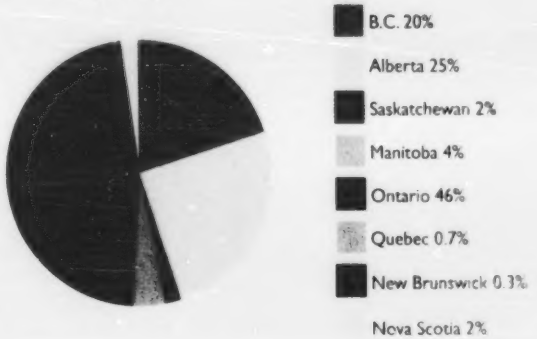


HOLDINGS

Mortgage Holdings by Asset
As at March 31, 2000



Mortgage Holdings by Geographic Location
As at March 31, 2000



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OVERVIEW

bcIMC offers its clients 10 internally managed pooled bond portfolios.

- The ***Short-Term Bond Fund*** is a pool of short-term government bonds with an average term to maturity of 2.9 years.
- The ***Pensions' Bond Fund*** is a pool of government bonds with an average term to maturity of 9.5 years.
- The ***Indexed Bond Fund*** is a pool of government bonds indexed to the Scotia Capital Government Bond Index.
- The ***Long-Term Bond Fund*** is a pooled fund of long-term government bonds with an average term to maturity of 20.2 years.
- The ***Corporate Bond Fund*** is a pooled fund of Canadian corporate bonds with an average term to maturity of 8.5 years that offer greater risk/return than government bonds.
- ***Sinking Fund Bond Pools*** – These five pools hold assets which are applied against the sinking funds' obligations to retire all or a portion of the principal amount at maturity.

Segregated bonds are purchased for clients who due to their investment objectives or legal restrictions are better served outside of the pooled bond funds.

Bond Holdings ($ Millions)

Bond Fund	As at March 31 99	As at March 31 00
Short-Term Bonds	1,349	1,047
Pensions' Bonds	9,871	9,504
Indexed Government Bonds	158	173
Long-Term Bonds	199	198
Corporate Bonds	1,309	1,322
Sinking Fund Bonds	6,623	6,343
Segregated Bonds	4,092	4,441
Total	23,793	23,028

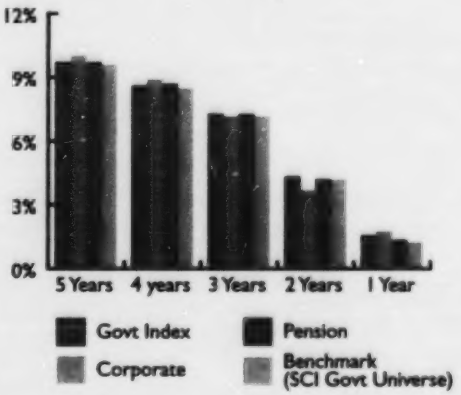
MARKET REVIEW

Over the past year, five- and 10-year interest rates trended higher, while 30-year rates remained unchanged. The yield curve went from a positive slope of +20 basis points at the beginning of the period to an inverted slope of –40 basis points at the end.

Government fiscal surpluses have led to the perception that a shortage in long maturity, default-free securities is occurring. Accordingly, the price of these securities has been maintained at higher prices, and lower yields, than might otherwise have been the case. The prices of shorter dated securities reflected central bank activity and therefore reflected slightly higher yields.

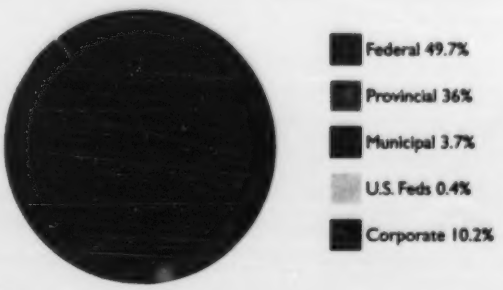
PERFORMANCE

Bonds - Annualized Returns
Year Ending March 31, 2000



HOLDINGS

Bond Holdings by Issuer
As at March 31, 2000



MORTGAGES

OVERVIEW

bcIMC internally manages three pooled mortgage funds: the Construction Mortgage Fund, the Fixed Term Mortgage Fund and the Specialty Mortgage Fund.

The Construction Mortgage Fund provides mortgage financing for Canadian construction projects. The mortgages are diversified by property type and geographic location. The average term of the mortgages is eight to 24 months.

The Fixed Term Mortgage Fund holds Canadian fixed term commercial and multi-family residential mortgages. The mortgages are diversified by property type and geographic location. The long-term goal is to have approximately 50 per cent of the portfolio in Western Canada and 50 per cent in the East. The term to maturity of the mortgages is between five and 10 years.

The Specialty Mortgage Fund is a new pooled investment portfolio. It holds equity and debt securities for construction projects.

Mortgage Holdings ($ Millions)

Pool Funds	As at March 31 99	As at March 31 00
[illegible]	[illegible]	1,133
[illegible]	231	287
[illegible]	—	6
[illegible]	1,099	1,426

MARKET REVIEW

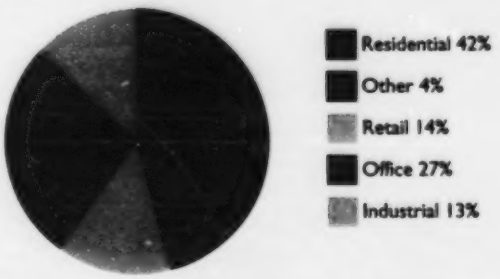
Momentum increased in the housing market in spite of the 140 basis points rise in five-year mortgage rates over the past year. The strongest markets were in Ontario and Eastern Canada. Housing starts benefitted from strong employment gains and strengthening consumer confidence, as well as concerns about potentially higher mortgage rates and house prices.

PERFORMANCE

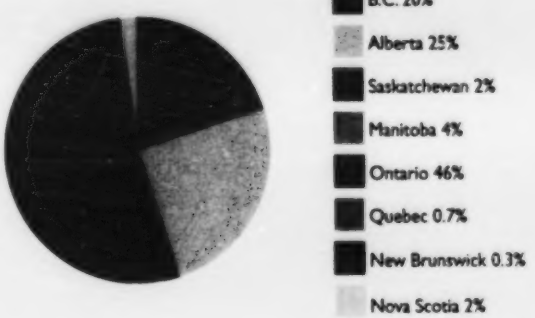
Mortgages - Annualized Returns
Year Ending March 31, 2000

HOLDINGS

Mortgage Holdings by Asset
As at March 31, 2000



Mortgage Holdings by Geographic Location
As at March 31, 2000



CANADIAN STOCKS

OVERVIEW

bcIMC manages three Canadian stock portfolios. Two are indexed funds: the TSE 300 Canadian Equity fund (ICE) and the TSE 100 Equity fund (TSE 100). The third is the Active Canadian Equity portfolio (ACE).

The objective of the ICE fund is to provide broad representation to the Canadian equity market by mirroring the returns on the TSE 300 index. This is the largest component of the Canadian equity pool, representing 52 per cent of total Canadian equity assets. The second index component of the pool is the TSE 100 index. Because of increased liquidity, the TSE 100 index is the portfolio that is most often utilized in asset allocation adjustments.

The third major component of the Canadian equity program is the ACE fund. bcIMC hires, monitors and manages a pool of external fund managers. The purpose of this pooled portfolio is to complement the indexed funds by giving clients exposure to other segments of the Canadian equity market. It is also anticipated that the managers will enhance returns over a four-year period through superior stock selection.

Canadian Stock Holdings ($ Million)

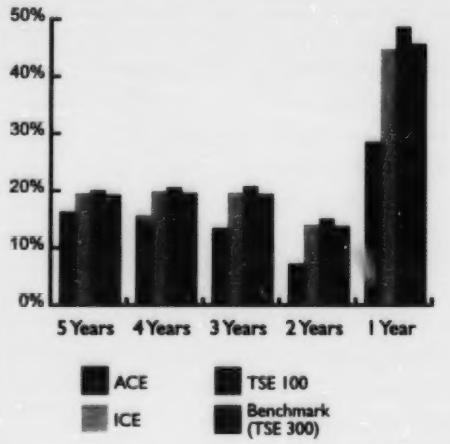
Pool	As at March 31/99	As at March 31/00
ICE	6,276	8,530
TSE 100	2,086	2,901
ACE	3,680	4,930
Segregated	312	13
Total	13,394	16,374

MARKET REVIEW

The total annual rate of return for Canadian equities was 45.5 per cent for the year versus 11.3 per cent for fiscal 1998/99. Market leadership was concentrated in telecommunications, media and technology. This group performed considerably better than the rest of the market.

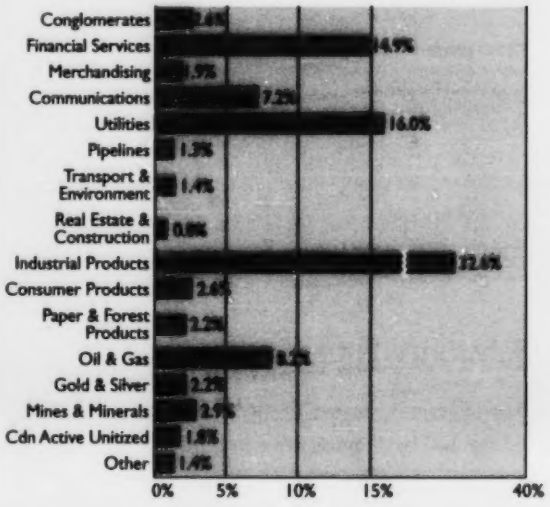
PERFORMANCE

Canadian Stocks - Annualized Returns
Year Ending March 31, 2000



HOLDINGS

Canadian Equity Funds by Sector
As at March 31, 2000



U.S. Stocks

Overview

The U.S. equity pool is comprised of three components: the Standard & Poor's 500 index fund (S&P 500), the Active U.S. Equity fund (AUSE) and the Enhanced Index U.S. Equity fund (EIUS).

The S&P 500 index fund is internally managed. It is a full replication portfolio and very closely duplicates the performance of the index.

AUSE is a pool of externally managed portfolios. The purpose is to complement the indexed funds by giving clients exposure to other segments of the U.S. equity market (e.g., small cap stocks). It is also anticipated that the managers will enhance returns over a four-year period through superior stock selection.

EIUS combines aspects of the other two funds. The risk characteristics are maintained very close to that of the index fund. At the same time, it seeks to add value through superior stock selection. However, because risks are more controlled, returns are anticipated to be lower than the active portfolios.

U.S. Stock Holdings ($ Million)

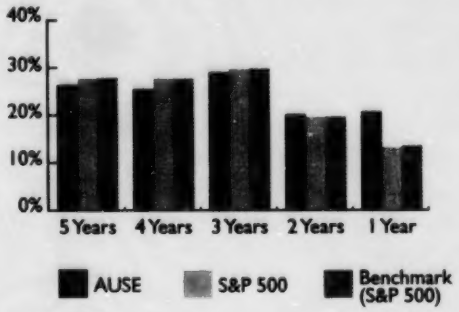
Pool	As at March 31/99	As at March 31/00
S&P 500	2,335	2,475
AUSE	1,877	2,393
EIUS	404	461
Total	4,616	5,329

Market Review

After a very strong performance in calendar year 1999, the U.S. market began to slow down. The technology sector continued to dominate market performance. This led to growth stocks dramatically outperforming value stocks. For the year the S&P 500 return was +13.5 per cent.

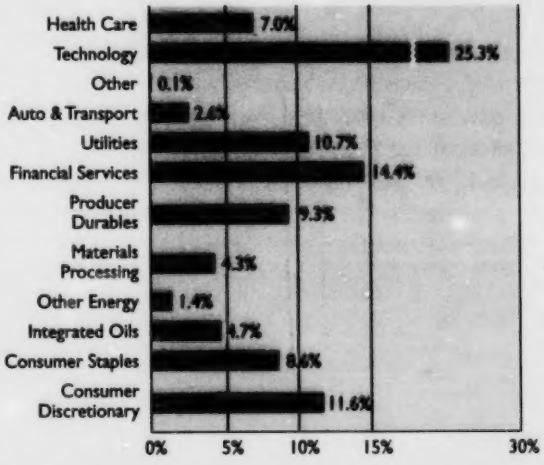
Performance

U.S. Stocks - Annualized Returns
Years Ending March 31, 2000



Holdings

U.U.S. Equity Funds by Sector
As at March 31, 2000



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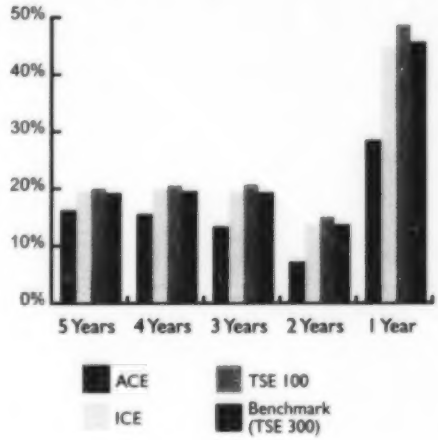
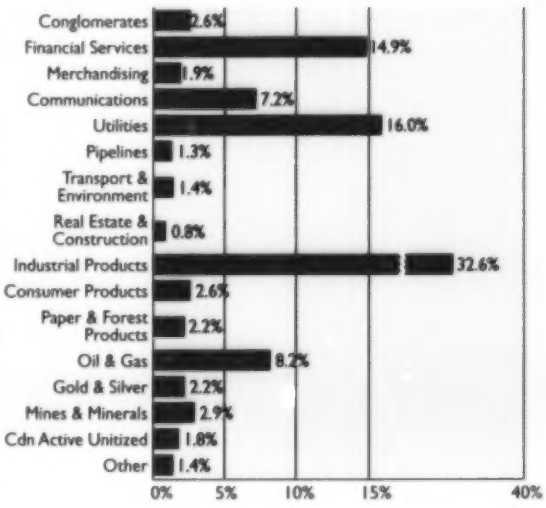
Canadian Stocks - Annualized Returns
Year Ending March 31, 2000



Holdings

Canadian Equity Funds by Sector
As at March 31, 2000



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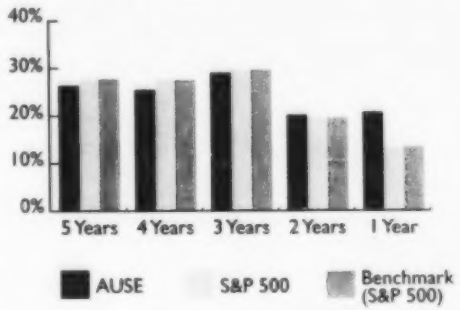
Performance

U.S. Stocks - Annualized Returns

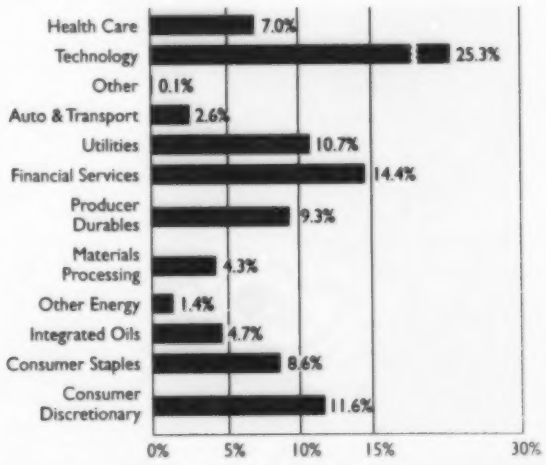
Years Ending March 31, 2000



Holdings

U.U.S. Equity Funds by Sector

As at March 31, 2000



INTERNATIONAL STOCKS

OVERVIEW

bcIMC has three international equity pools: International Equity (EAFE), European Equity (EURO) and Asia Equity (ASIA).

EAFE is an acronym for Europe, Australasia and the Far East. It is an index created to provide a benchmark for international diversification away from North American markets. The bcIMC EAFE pool is comprised of an index fund and a group of external international managers which provides diversification and added value.

Similarly, the European equity pool has as its foundation an index fund to provide low risk market representation. This is enhanced by external managers who are contracted to add value through stock and country selection. As in other areas of portfolio management, this pool is very well diversified by style, geography and capitalization size.

Finally, the Asian pool, the smallest of the three international pools, is comprised of a selection of international managers investing in Japan and the rest of Asia. Due to less efficient capital markets, the Asian pool only uses active management techniques.

International Equity Holdings ($ Million)

Pool	As at March 31/99	As at March 31/00
EAFE	2,356	2,906
EURO	1,351	1,695
ASIA	153	959
Total	**3,860**	**5,560**

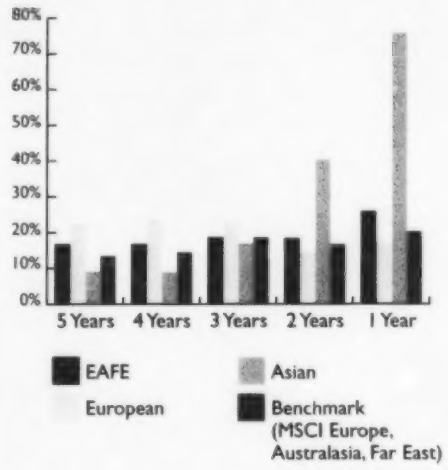
MARKET REVIEW

European stocks have been characterized by significant volatility. The telecommunications and media sectors which had dominated fell sharply at the end of the year. Mergers and acquisitions have risen to an all time high. The level of economic activity and stock market performance for Asia were mixed with Japan leading the way, reporting a 42.3 per cent gain in the year.

PERFORMANCE

International Stocks - Annualized Returns

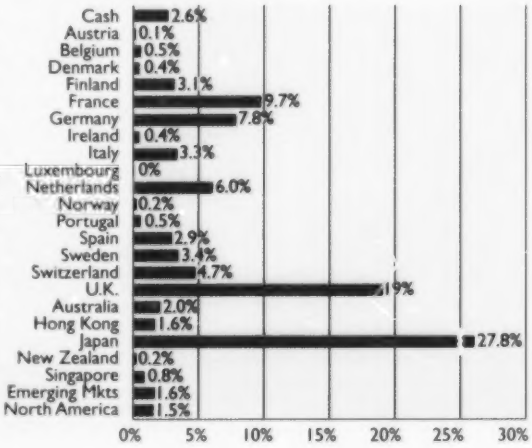
Years Ending March 31, 2000



HOLDINGS

Total International Asset Mix by Country

Years Ending March 31, 2000



PRIVATE PLACEMENT

OVERVIEW

Private placements are privately negotiated long-term investments in companies requiring capital for various purposes including start-up capital, expansion and development financing, recapitalizations, restructurings and acquisitions. The market for private placements is commonly known as the "private equity" market with its principal segments being venture capital and buyouts.

bcIMC typically invests in private placements indirectly through limited partnerships managed by external fund managers. The external managers identify investment opportunities, conduct thorough due diligence, negotiate investment terms, and work with the companies to create value. On occasion, bcIMC invests directly in companies alongside investments made by its external managers (known as "co-investments").

Investing through private equity funds involves committing capital to the funds, which the external managers draw down over time as it is needed for investments.

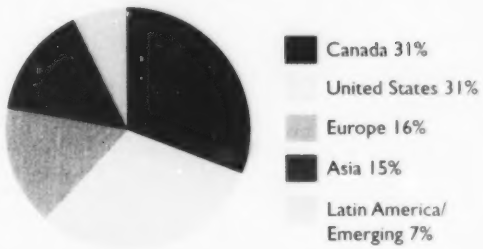
Private Placement Funds ($ Millions)

Private Placements	As at March 31/99		As at March 31/00	
	Market	Committed	Market	Committed
Domestic	222	418	327	740
International	270	930	553	1,398
Total	**492**	**1,348**	**880**	**2,138**

MARKET REVIEW

By far the largest market for private equity exists in the United States. In 1999, U.S. private equity firms raised an unprecedented US$95.5 billion for 361 private equity funds of all types, from venture capital to buyouts. That represents a 3.6 per cent increase from 1998. The market is also well established in Europe and Asia, and a number of experienced private equity firms now work in various "emerging market" countries. The Canadian market is relatively young, and has just over $12 billion in private placement capital under management.

Geographic Distribution



PERFORMANCE

As private placements are relatively long-term investments, and seldom publicly traded, it is difficult to calculate interim performance. "Valuation events" tend to be fairly infrequent, and indeed "true" values are often not apparent until investments are realized through sales. The standard method used to measure performance of private placements is internal rate of return (IRR). The IRR measures returns based on the present value of all cash inflows and outflows from the inception of the investment to the present. Returns on private placement investments may be negative in the early years due to one-time start-up costs, annual management fees and other expenses, with investment being held at cost. Positive returns are generated as investments mature, cashflows increase and realizations occur.

The following chart shows the IRR for the 1995, 1996, 1997, and 1998 private placement pools managed by bcIMC.

Internal Rate of Return (%) to December 1999

Private Placement Pools	IRR
1995 Pool	14.4
1996 Pool	19.4
1997 Pool	22.4
1998 Pool	-12.8

International Stocks

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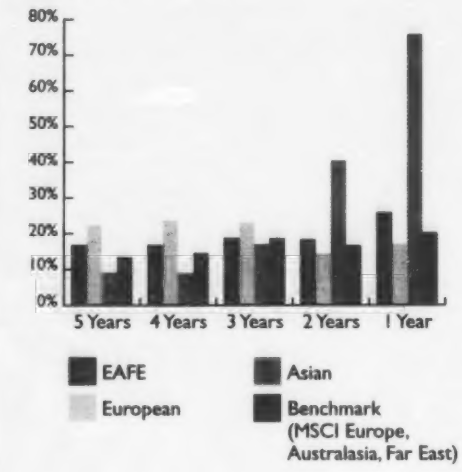
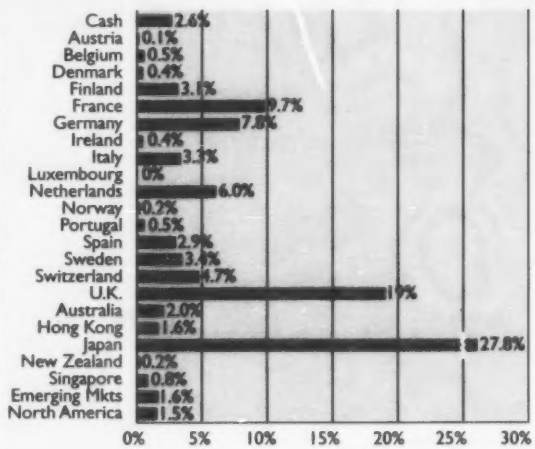
Performance

International Stocks - Annualized Returns
Years Ending March 31, 2000



Holdings

Total International Asset Mix by Country
Years Ending March 31, 2000



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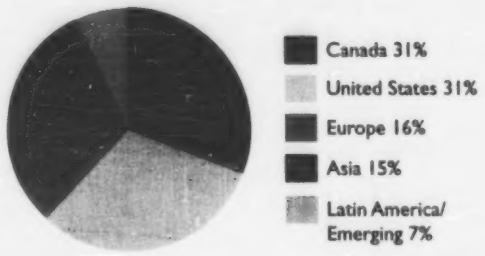

PERFORMANCE

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Real Estate

Overview

bcIMC has two real estate pools: Realpool Investment Fund (Realpool) and Realpool International, 1999.

Realpool primarily consists of direct holdings of Canadian real estate and is diversified by property type and geographic location. It focuses on institutional-grade Canadian office, industrial, residential, retail and mixed-used properties. The fund is managed by in-house staff and three external real estate managers.

Realpool International, 1999 is a closed-end pooled fund which is invested in non-Canadian real estate assets. To date, the fund has invested in a European and an Asian closed-end fund.

Real Estate Pools ($ Million)

Real Estate Fund	As at March 31/99	As at March 31/00
Realpool	2,252	3,871
Realpool International	7	39
Total	2,259	3,910

Market Review

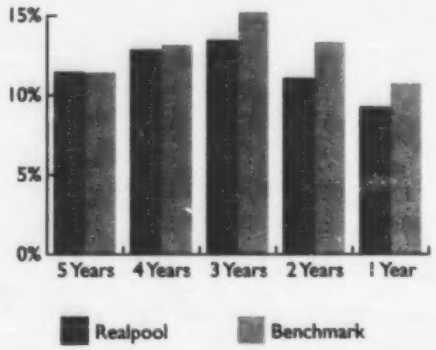
The Canadian real estate market performed well during the year with increased absorption of space, reduced vacancy rates and increases in rents and property values experienced in most property types and markets across the country.

Construction activity was primarily in suburban office and industrial space during the year, to meet the increased demand for these property types. Residential properties experienced modest increases in rents with values remaining relatively unchanged, while retail properties suffered a minor increase in vacancy rates due to the demise of several retailers throughout the year.

The level of investment activity during the year was below that of previous years, however several large high profile real estate portfolios were offered for sale during the year with institutional investors being the acquirers in many cases.

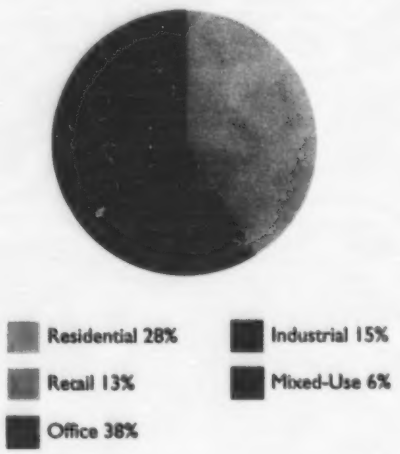
Performance

Real Estate - Annualized Returns
Years Ending March 31, 2000



Holdings

Realpool by Property Type
As at March 31, 2000



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Market Review

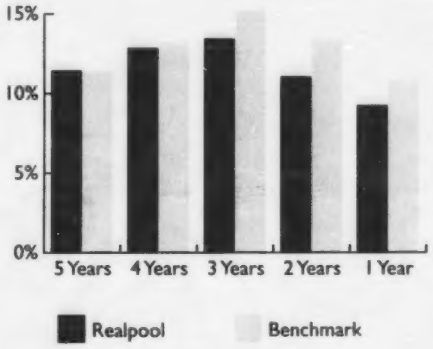
The Canadian real estate market performed well during the year with increased absorption of space, reduced vacancy rates and increases in rents and property values experienced in most property types and markets across the country.

Construction activity was primarily in suburban office and industrial space during the year, to meet the increased demand for these property types. Residential properties experienced modest increases in rents with values remaining relatively unchanged, while retail properties suffered a minor increase in vacancy rates due to the demise of several retailers throughout the year.

The level of investment activity during the year was below that of previous years, however several large high profile real estate portfolios were offered for sale during the year with institutional investors being the acquirers in many cases.

Performance

Real Estate - Annualized Returns
Years Ending March 31, 2000



Holdings

Realpool by Property Type
As at March 31, 2000

POOLED FUND ANNUALIZED RETURNS (C$)

Periods Ending 31 March 2000

	5 Years	4 Years	3 Years	2 Years	1 Year
MONEY MARKET					
Short-Term Fund 1	4.9	4.4	4.6	5.0	4.9
Short-Term Fund 2	5.2	4.7	4.7	5.2	5.0
SCI 91 Day T-Bill	4.9	4.3	4.4	4.8	4.7
Short-Term US Fund 3	6.4	7.3	7.4	6.7	1.3
SSB 30 Day T-Bill	5.6	6.4	6.4	5.6	0.5
MORTGAGES					
Fixed Term Fund		8.6	7.8	6.4	5.8
SCI Short Bond + 1%	8.5	7.3	6.3	5.4	4.1
Construction Fund		7.8	7.0	7.5	7.3
SCI 1 Year T-Bill + 1%	6.6	5.6	5.3	5.7	5.1
FIXED INCOME					
Short-Term Bond Fund		6.4	5.4	4.6	3.6
SCI Short Govt Bond	7.4	6.3	5.2	4.4	3.1
Govt Bond Index Fund	9.5	8.4	7.1	4.2	1.5
Pension Bond Fund	9.5	8.5	7.1	4.1	1.3
SCI Govt Bond Universe	9.4	8.3	7.0	4.1	1.2
Long-Term Bond Fund					(0.4)
RBC-DS Long Govt Bond	12.8	12.1	10.7	4.3	(0.3)
Corp Bond Fund	9.8	8.7	7.0	3.6	1.7
SCI Corp Bond Universe	9.8	8.6	7.1	3.8	1.4
STOCKS					
Active Canadian Fund	16.1	15.4	13.2	7.0	28.3
Indexed TSE 300 Fund	19.4	19.8	19.5	13.9	44.7
TSE 300	19.1	19.4	19.2	13.6	45.5
Indexed TSE 100 Fund	19.9	20.4	20.6	14.9	48.5
TSE 100	19.9	20.3	20.6	14.9	48.7
Indexed S&P 500 Fund	27.7	27.6	29.7	19.6	13.2
S&P 500	27.8	27.6	29.7	19.6	13.5
Index Enhanced US Fund					13.5
Active US Fund	26.3	25.4	28.9	20.1	20.6
Russell 1000	27.7	27.4	30.1	20.1	16.3
Russell 2000	18.0	16.3	19.7	8.3	31.8
European Fund				14.2	16.9
MSCI Europe Net	21.5	23.1	22.7	12.5	13.7
EAFE Fund				18.0	25.6
MSCI EAFE Net	13.2	14.2	18.3	16.4	20.0
Asian Fund				40.1	75.5
MSCI Pacific Basin Net	3.4	3.4	11.8	26.1	35.4
REAL ESTATE					
Realpool	11.4	12.7	12.8	10.5	9.0
Russell CDN Property	11.6	13.4	15.1	12.7	9.9
BENCHMARKS					
CPI - Canada	1.7	1.7	1.6	2.0	3.0

Note: Benchmarks are presented in black, actual pooled fund returns, net of costs, are in blue.

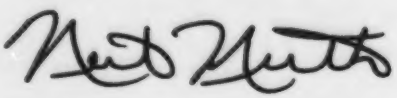
Management's Responsibility for Financial Statements

Responsibility for the integrity and objectivity of the accompanying financial statements of the British Columbia Investment Management Corporation (the "Corporation") rests with management. The financial statements cover the five month period from the date of incorporation on November 1, 1999 to March 31, 2000. Operations began January 1, 2000. The financial statements, which by necessity include some amounts that are based on management's best estimates and judgements, are prepared in accordance with generally accepted accounting principles. In management's opinion, the financial statements have been properly prepared within the framework of the accounting policies summarized in the financial statements and present fairly the Corporation's financial position and results of operations. The financial statements have been reviewed and approved by the Corporation's Board of Directors.

Systems of internal control and supporting procedures are maintained to provide reasonable assurance that transactions are authorized, assets are safeguarded and proper records maintained. The internal accounting control process includes management's communication to employees of policies that govern ethical business conduct.

These financial statements have been examined by the Corporation's independent auditor, the Auditor General of British Columbia, and his report is presented herein.

Doug Pearce
Chief Executive Officer



Neil Muth
Vice President, Finance & Operations

Report of the Auditor General of British Columbia

To the Members of the Investment Management Board of the British Columbia Investment Management Corporation, and

To the Minister of Finance and Corporate Relations, Province of British Columbia:

I have audited the balance sheet of the *British Columbia Investment Management Corporation* as at March 31, 2000 and the statements of operations and changes in financial position for the period from November 1, 1999 to March 31, 2000. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the *British Columbia Investment Management Corporation* as at March 31, 2000 and the results of its operations and the changes in its financial position for the period from November 1, 1999 to March 31, 2000 in accordance with generally accepted accounting principles.

Wayne Strelioff

Victoria, British Columbia
May 24, 2000

Wayne Strelioff, CA
Auditor General

BALANCE SHEET
as at March 31, 2000

ASSETS	
Current assets	
Cash	$ 40,877
Temporary investments	1,645,871
Pooled investment portfolio direct costs receivable (note 4)	13,309,197
Fees and other accounts receivable	972,135
Prepaid expenses	245,985
	16,214,065
Organization costs	196,440
Capital assets (note 5)	118,129
	$16,528,634
LIABILITIES AND EQUITY	
Current liabilities	
Pooled investment portfolio direct costs payable (note 4)	$13,278,082
Other accounts payable and accrued liabilities	2,677,899
Deferred income	12,089
	15,968,070
Equity	
Share capital (note 6)	10
Contributed surplus (note 7)	290,085
Retained earnings	270,469
	560,564
	$16,528,634

Commitments (note 3)

See accompanying notes to financial statements.

On Behalf Of The Board

Director

Director

STATEMENT OF OPERATIONS

for the period ended March 31, 2000

REVENUES	
Funds management fees	$ 2,865,678
Recoveries of pooled investment portfolio direct costs	13,493,098
Other	552
Total revenues	$16,359,328
EXPENSES	
Pooled investment portfolio direct costs (note 4)	$13,493,098
Salaries and benefits	1,359,230
Professional services	561,710
Systems operations	187,305
Insurance	77,000
Office and business expenditures	82,356
Rent	49,953
Other	57,135
	15,867,787
Writedown of contributed assets (note 7)	210,733
Amortization and depreciation	10,339
Total expenses	$16,088,859
NET INCOME	$ 270,469

See accompanying notes to financial statements.

Statement of Changes in Financial Position

for the period ended March 31, 2000

Cash provided by (used for):	
Operating activities:	
Income for the period	$ 270,469
Items not involving cash:	
Writedown of contributed assets	210,733
Amortization and depreciation	10,339
Cash flow from operations	491,541
Changes in non-cash working capital:	
Accounts receivable	(14,281,332)
Prepaid expenses	(245,985)
Accounts payable	15,955,981
Deferred income	12,089
	1,932,294
Investing activities:	
Investments	(1,645,871)
Organization costs	(206,779)
Capital assets	(38,777)
	(1,891,427)
Financing activities:	
Share capital	10
	10
Increase (decrease) in cash position	40,877
Cash position, beginning of period	0
Cash position, end of period	$ 40,877

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

for the period ended March 31, 2000

1. Purpose

British Columbia Investment Management Corporation (the "Corporation") was established as a Crown corporation of the Province of British Columbia (the "Province") on November 1, 1999 under section 16 of the *Public Sector Pension Plans Act, S.B.C. 1999 c44* (the "Act").

The Corporation assumed responsibility for the funds management services previously provided by the Office of the Chief Investment Officer (the "OCIO"), a division of the Ministry of Finance and Corporate Relations, on January 1, 2000. The Corporation is responsible for managing the assets of various public sector pension funds, the Province, provincial government bodies (Crown corporations and institutions) and public sector trust funds.

The Corporation is exempt from federal and provincial income taxes.

2. Assets under administration

The estimated market value of assets managed by the Corporation on behalf of various trust funds and its other clients is approximately $61 billion as at March 31, 2000.

These assets may be invested in segregated investments, or be aggregated in one or more of the pooled investment portfolios managed by the Corporation. The Corporation annually prepares separate audited financial statements for all pooled investment portfolios with more than one beneficial owner.

The financial statements of the pooled investment portfolios and segregated assets held in clients' accounts are not consolidated in the financial statements of the Corporation.

3. Significant accounting policies

Basis of presentation – The Corporation's financial statements are prepared on an accrual basis, in accordance with generally accepted accounting principles of the Canadian Institute of Chartered Accountants.

Temporary investments – Temporary investments consist of units in the Corporation's Canadian Money Market Fund ST1. They are recorded at the lower of cost or market value.

Capital assets – Assets with a cost greater than $5,000 are recorded at cost less accumulated depreciation. Software development costs, including labour and material costs for design, construction, testing, implementation and other related costs, are capitalized for business systems expected to be of continuing benefit to the Corporation.

Depreciation is calculated on a straight-line basis over the estimated useful life, beginning in the month of acquisition, using the following rates:

Furniture and equipment	10 years
Mainframe, mini computers and related software	5 years
Personal computer hardware, peripherals and related software	3 years

Organization costs – Organization costs incurred in establishing the Corporation are capitalized and amortized over five years.

Commitments – The Corporation has entered into a lease agreement for office space having an original term extending over five years, commencing July, 2000. Minimum annual rentals under this agreement by fiscal year ending March 31 are:

2001 - $288,000
2002 - 384,000
2003 - 384,000
2004 - 384,000
2005 - 384,000
2006 - 96,000

Revenue – Section 24 of the Act requires the Corporation to recover all its operating costs and capital expenditures. Recoverable costs include all accrued expenditures and exclude non-cash items such as depreciation.

Revenues are received from the Corporation's accrued investment income (including realized gains and losses), from direct costs recovered from the pooled investment portfolios and from funds management fees charged to investment clients.

Direct cost recoveries and funds management fees are recorded as the related costs are incurred.

Use of estimates – The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts on the Balance Sheet and Statement of Operations at the date of the financial statements. Actual results could differ from these estimates.

4. Pooled investment portfolio direct costs

In order to provide funds management services, the Corporation enters into contracts with third parties for investment management, custodial, legal and other services. Third-party costs that are attributable to a specific pooled investment portfolio are charged to that portfolio and shared on a pro-rata basis by the portfolio unitholders.

5. Capital assets

	Transfer from Province	Additions	Depreciation	Ending Balance Mar 31/00
Computer software under development	$79,352	$38,777	- 0 -	$118,129

6. Share capital

The capital of the Corporation is one share with a par value of $10. The share is issued and registered in the name of the Minister of Finance and Corporate Relations on behalf of the Province of British Columbia.

7. Contributed surplus

The transfer of assets at net book value from the Province to the Corporation on commencement of operations resulted in a contributed surplus of $290,085. Of this amount, $79,352 was capitalized in accordance with the Corporation's accounting policies for capital assets (note 3). The balance of $210,733 consists of assets whose book value is each less than $5,000. This amount is recorded on the Statement of Operations under the heading "writedown of contributed assets."

8. Related party transactions

The Corporation is related through common ownership to all Province of British Columbia ministries, agencies and Crown corporations. Transactions with these entities are considered to be in the normal course of operations.

9. Pension plan

The Corporation and its employees contribute to the Public Service Pension Plan in accordance with the *Public Sector Pension Plans Act, S.B.C. 1999 c44*. As of April 1, 2000 the British Columbia Pension Corporation (formerly the Superannuation Commission) administers the Plan, including the payment of pension benefits on behalf of employers and employees to whom the Act applies. The Plan is a defined benefit pension plan. The financial position of the Plan is described in the financial statements of the Plan included in the Public Accounts of the Province. The Province has statutory responsibility for any unfunded liability. The most recent actuarial valuation as at March 31, 1999 has determined that the Plan is in a surplus position.

10. Financial instruments

The Corporation's financial instruments consist of cash, temporary investments, accounts receivable and accounts payable. It is management's opinion that the Corporation is not exposed to significant risks arising from these financial instruments. The fair values of these financial instruments approximate their carrying values.

BOARD OF DIRECTORS

Joan Axford
Secretary-Treasurer
School District No. 63
appointee from the Teachers' Pension Board

Jack Bradshaw
Instructor, Mathematics and Statistics
University College of the Cariboo
appointee from the College Pension Advisory Board

Jim Cook
Lieutenant, Rescue and Safety
New Westminster Fire Department
appointee from the Municipal Pension Board

Michael Costello
President and CEO
B.C. Hydro and Power Authority
appointed by the Minister of Finance and Corporate Relations as representative client

Sid Fattedad
Vice President, Finance and Information Services and Chief Financial Officer
Workers' Compensation Board
appointed by the Minister of Finance and Corporate Relations as representative client

Bruce Kennedy
Manager, Intergovernmental Fiscal Relations and Income Security Branch
Ministry of Finance and Corporate Relations
appointee from Public Service Pension Advisory Board

Chris Trumpy, Chair
Deputy Minister
Ministry of Finance and Corporate Relations

as of March 31, 2000

Corporate Officers

Doug Pearce
Chief Executive Officer/Chief Investment Officer

William D. Pike
Assistant Corporate Secretary
General Counsel

Daryl Jones
Vice President, Policy and Research

Irv Marus
Vice President, Equity Investments

Randall Mullan
Vice President, Private Placements

Neil Muth
Vice President, Finance & Operations

Pam Spackman
Vice President, Mortgages

Chuck Swanson
Vice President, Real Estate

Dave Thom
Vice President, Fixed Income

Kim Thornber
Vice President, Trade Management

Corporate Secretary
Rita C. Andreone
Lawson Lundell Lawson & McIntosh

Custodian
Royal Trust Corporation of Canada

Auditor
Auditor General of British Columbia